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# Veterans Bond Act Of 1986

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# Veterans Bond Act of 1986

## Official Title and Summary Prepared by the Attorney General

**VETERANS BOND ACT OF 1986.** This act provides for a bond issue of eight hundred fifty million dollars (\$850,000,000) to provide farm and home aid for California veterans.

## Final Vote Cast by the Legislature on AB 286 (Proposition 42)

Assembly: Ayes 73  
Noes 0

Senate: Ayes 38  
Noes 0

## Analysis by the Legislative Analyst

### Background

Since 1921, the voters have approved a total of about \$5.7 billion of general obligation bond sales to finance the veterans' farm and home purchase (Cal-Vet) program. "General obligation" bonds are backed fully by the state, meaning that the state will use its taxing power to assure that enough money is available to pay off the bonds. All bonds previously authorized to provide loans under this program have been sold.

The money from these bond sales is used by the Department of Veterans Affairs to purchase farms, homes, and mobilehomes which are then resold to California veterans. Each participating veteran makes monthly payments to the department. These payments are in an amount sufficient to (1) reimburse the department for its costs in purchasing the farm, home, or mobilehome, (2) cover all costs resulting from the sale of the bonds, including interest on the bonds, and (3) cover the costs of operating the program.

Because the state is able to borrow at interest rates that are well below those charged to individuals, the veteran's monthly payments under this program are less than what they otherwise would be.

### Proposal

This proposition would authorize the state to sell \$850 million in general obligation bonds to continue the Cal-

Vet program. The Department of Veterans Affairs advises that these bonds would provide sufficient funds to enable about 12,000 additional veterans to participate.

### Fiscal Effect

#### 1. Cost of Paying Off the Bonds

The bonds authorized by this measure would be paid off probably over a period of up to 25 years. If the bonds are sold at an interest rate of 7.5 percent, principal and interest payments would be about \$67 million per year.

Throughout its history, the Cal-Vet program has been totally supported by the participating veterans, at no direct cost to the taxpayer. However, if the payments made by those veterans participating in the program do not fully cover the principal and interest payments on the bonds, the state's taxpayers would pay the difference.

#### 2. Other Indirect Fiscal Effects

**Borrowing Costs for Other Bonds.** By increasing the amount which the state borrows, this measure may cause the state and local governments to pay more under other bond programs. These costs cannot be estimated.

**Lower State Revenues.** The people who buy these bonds are not required to pay state income tax on the interest they earn. Therefore, if California taxpayers buy these bonds instead of making other taxable investments, the state would collect less taxes. This loss of revenue cannot be estimated.

Vote June 3, 1986

## Argument in Favor of Proposition 42

Californians have long recognized a special debt to those young men and women who, at great personal sacrifice, served their state and nation in time of war. This recognition has been expressed by a 63-year tradition of support for Cal-Vet bonds, which, at no cost to the taxpayers, provide California veterans with low-interest loans used to purchase or improve homes, mobilehomes, and farms. Opponents in the past have argued that the veterans not be singled out for special privileges. This argument totally ignores the fact that our veterans served their country and state unselfishly fighting for the freedom that we all enjoy because of their service. It is surely a small "privilege" that we as voters give to our veterans by approving this proposition and one which they greatly deserve.

This bond act will provide approximately 12,140 low-interest loans for veterans of Vietnam and other wars. To date, nearly 400,000 veterans have been assisted in rejoining the mainstream of California life through the ownership of a home or farm.

The Cal-Vet Program is totally self-supporting, and no taxpayer money has ever been needed to repay Cal-Vet

bonds or to run the Cal-Vet program! All principal and interest owed to bondholders and all administrative costs are repaid through contractual payments received from veterans who hold Cal-Vet loans.

The Cal-Vet Program not only provides assistance to our worthy veterans, but also a much-needed stimulus to California's overall economy by the purchase of new and existing homes and generating jobs and opportunities for businesses, professions and trades connected with the state's housing industry.

This act was approved unanimously on bipartisan votes of both houses of the State Legislature. It is endorsed by every major veterans' organization in the state.

We respectfully ask you to vote FOR the Veterans Bond Act of 1986, Proposition 42, so that California can continue to keep its commitment to the thousands of qualified veterans who need and rightfully deserve this important benefit.

**RICHARD E. FLOYD**  
*Member of the Assembly, 53rd District*

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No argument against Proposition 42 was filed

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Text of proposed law appears on pages 40-41

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Voting isn't for the elect few!

Dave Eaton, Roseville

## Proposition 42 Text of Proposed Law

This law proposed by Assembly Bill 286 (Statutes of 1985, Ch. 972) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Military and Veterans Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED LAW

SECTION 1. Article 5s (commencing with Section 998.074) is added to Chapter 6 of Division 4 of the Military and Veterans Code, to read:

*Article 5s. Veterans Bond Act of 1986*

998.074. *This article may be cited as the Veterans Bond Act of 1986.*

998.075. *The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), except as otherwise provided herein, is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this article, and the provisions of that law are included in this article as though set out in full in this article. All references in this article to "herein" refer both to this article and that law.*

998.076. *As used herein, the following words shall have the following meanings:*

(a) *"Bond" means veterans bond, a state general obligation bond issued pursuant to this article adopting the provisions of the State General Obligation Bond Law.*

(b) *"Committee" means the Veterans' Finance Committee of 1943.*

(c) *"Board" means the Department of Veterans Affairs.*

(d) *"Fund" means the Veterans' Farm and Home Building Fund of 1943.*

(e) *"Bond Act" means this article authorizing the issuance of state general obligation bonds and adopting the State General Obligation Bond Law by reference.*

998.077. *For the purpose of creating a fund to provide farm and home aid for veterans in accordance with the Veterans' Farm and Home Purchase Act of 1974 (Article 3.1 (commencing with Section 987.50)), and of all acts amendatory thereof and supplemental thereto, the committee may create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of not more than eight hundred fifty million dollars (\$850,000,000) in the manner provided herein.*

998.078. *All bonds authorized by this article, when duly sold and delivered as provided herein, constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.*

*There shall be collected annually in the same manner and at the same time as other state revenue is collected a sum of money, in addition to the ordinary revenues of the state, sufficient to pay the principal and interest on these bonds as provided herein, and all officers required by law to perform any duty in regard to the collection of state revenues shall collect this additional sum.*

*On the dates on which funds are remitted pursuant to*

*Section 16676 of the Government Code for the payment of the then maturing principal and interest of the bonds in each fiscal year, there shall be returned into the General Fund all of the money in the Veterans' Farm and Home Building Fund of 1943, not in excess of the principal of and interest on any bonds then due and payable, except as herein provided for the prior redemption of the bonds, and, if the money so returned on the remittance dates is less than the principal and interest then due and payable, the balance remaining unpaid shall be returned into the General Fund out of the Veterans' Farm and Home Building Fund of 1943 as soon as it shall become available, together with interest thereon from the dates of maturity until so returned at the same rate of interest as borne by the bonds, compounded semiannually.*

998.079. *There is hereby appropriated from the General Fund, for purposes of this article, a sum of money that will equal both of the following:*

(a) *That sum annually necessary to pay the principal of, and the interest on, the bonds issued and sold as provided herein, as that principal and interest become due and payable.*

(b) *That sum necessary to carry out Section 998.080, appropriated without regard to fiscal years.*

998.080. *For purposes of this article, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of a sum of money not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold pursuant to this article. Any sums withdrawn shall be deposited in the Veterans' Farm and Home Building Fund of 1943. All money made available under this article to the board shall be returned by the board to the General Fund from receipts from the sale of bonds sold under this article, together with interest at the rate of interest fixed in the bonds so sold.*

998.081. *Upon request of the board, supported by a statement of its plans and projects approved by the Governor, the committee shall determine whether to issue any bonds authorized under this article in order to carry out the board's plans and projects, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out these plans and projects progressively, and it is not necessary that all the bonds be issued or sold at any one time.*

998.082. *So long as any bonds authorized under this article are outstanding, the Director of Veterans Affairs shall, at the close of each fiscal year, require a survey of the financial condition of the Division of Farm and Home Purchases, together with a projection of the division's operations, to be made by an independent public accountant of recognized standing. The results of each survey and projection shall be reported in writing by the public accountant to the Director of Veterans Affairs, the California Veterans Board, and the committee.*

*The Division of Farm and Home Purchases shall reimburse the public accountant for these services out of any money which the division may have available on deposit with the Treasurer.*

998.083. *The committee may authorize the Treasurer to sell all or any part of the bonds authorized by this article at the time or times fixed by the Treasurer.*

Whenever the committee deems it necessary for an effective sale of the bonds, the committee may authorize the Treasurer to sell any issue of bonds at less than their par value, notwithstanding Section 16754 of the Government Code. However, the discount on the bonds shall not exceed 3 percent of the par value thereof.

998.084. Out of the first money realized from the sale

of bonds as provided herein, there shall be redeposited in the General Obligation Bond Expense Revolving Fund, established by Section 16724.5 of the Government Code, the amount of all expenditures made for the purposes specified in that section, and this money may be used for the same purpose and repaid in the same manner whenever additional bond sales are made.

## Proposition 43 Text of Proposed Law

*Continued from page 7*

that embraces all or part of the territory of a regional park, open-space, or park and open-space district whose board of directors is not the county board of supervisors, the amount allocated to the county shall be apportioned between the county and the regional district in proportion to the population of the county that is included within the territory of the regional district and the population of the county that is outside the territory of the regional district.

(c) (1) Sixty percent of the total funds available for grants shall be allocated to cities and districts, other than regional park, open-space, or park and open-space districts. Each city's and each such district's allocation shall be in the same ratio as the city's or district's population is to the combined total of the state's population that is included in incorporated areas and in unincorporated areas within districts, except that each city or district shall be entitled to a minimum allocation of twenty thousand dollars (\$20,000). In any instance in which the boundary of a city overlaps the boundary of a district, the population in the area of overlapping jurisdictions shall be attributed to

each jurisdiction in proportion to the extent to which each operates and manages parks and recreational areas and facilities for that population. In any instance in which the boundary of a city overlaps the boundary of a district, and in the area of overlap the city does not operate and manage parks and recreational areas and facilities, all grant funds shall be allocated to the district.

(2) Each city and other district whose boundaries overlap, shall develop a specific plan for allocating the grant funds in accordance with the formula specified in paragraph (1). If, by October 1, 1986, the plan has not been agreed to by the affected jurisdictions and submitted to the Department of Parks and Recreation, the Director of Parks and Recreation shall determine the allocation of the grant funds among the affected jurisdictions.

5721. (a) Individual applications for grants shall be submitted to the department for approval as to conformity with the requirements of this chapter. The application shall be accompanied by certification from the planning agency of the applicant that the project for which the grant is applied is consistent with the park and recreation element of the applicable city or county's general plan or the district's park and recreation plan and will satisfy a high priority need. In order to utilize available grant funds as effectively as possible, overlapping or adjoining jurisdictions are encouraged to combine projects and submit a joint application.

(b) The minimum amount that the applicant may request for any individual project is twenty thousand dollars (\$20,000).

(c) Every application shall comply with the California

Environmental Quality Act (Division 13 (commencing with Section 21000)).

(d) Grants that are wholly or partially for the acquisition of real property shall be made on the basis of 75 percent state funds and 25 percent local matching funds or property donated to be part of the project. The grant recipient shall certify to the department that there is available, or will become available prior to the commencement of any work on the project, matching funds or property in the required amount from a nonstate source. Certification of the source and amount or value shall be set forth in the application.

(e) The director shall annually forward a statement of the total amount to be appropriated in each fiscal year for projects approved for grants to the Director of Finance for inclusion in the Budget Bill. The amount of grant funds to be allocated to each eligible jurisdiction shall be published in the Governor's Budget for the fiscal year in which the appropriation for those grants is to be made and, as soon as possible thereafter, a list of projects for which grants have been approved shall be made available by the department.

(f) Grant funds shall be encumbered by the recipient within three years of the date the appropriation became effective, regardless of the date when the project was approved by the department pursuant to this section.

5722. Grant funds may be expended for development, rehabilitation, or restoration only on lands owned by, or subject to a lease or other long-term interest held by, the applicant. If the lands are not owned by the applicant, the applicant shall first demonstrate to the satisfaction of the director that the development, rehabilitation, or restoration will provide benefits commensurate with the type and duration of interest in land held by the applicant. No grant funds may be expended for any purpose that is not directly related to the operation and management of parks and recreational areas and facilities.

5723. (a) No grant funds authorized by this chapter shall be disbursed until the applicant agrees that any property acquired or developed with those funds shall be used by the applicant only for the purpose for which the funds were requested and that no other use of the property shall be permitted except by specific act of the Legislature.

(b) No funds shall be disbursed unless the applicant agrees to maintain and operate the property to be acquired or developed for a period commensurate with the type of project and the proportion of state funds and local matching funds or property allocated to the capital costs of the project.

(c) No funds shall be disbursed unless the applicant agrees to make the property to be acquired or developed open to use by the public by a date specified in the agreement. That date shall not be more than three years after the date upon which the project was approved by the